



May 7, 2012

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Dear Mr. Lynch, Mr. Hoesly, and Mr. Ross:

With respect to the currently underway 2012 small and large employer group rate factor review process for commercial health insurance issuers in Rhode Island, the State of Rhode Island Office of the Health Insurance Commissioner (OHIC) is providing the following supplementary guidance on four issues related to the review process.

1. Request for Small Group Rate Manual and an Example of the Manual Applied

In our initial guidance letter on the review process, OHIC required issuers to provide the manual they use to calculate rates for small group business in addition to an example that clearly illustrates how the methodology outlined in the manual is applied to generate a plan premium for a typical small group plan.

OHIC wishes to clarify two points related to this requirement. First, OHIC is requiring that issuers submit their manual that will be used to calculate rates for 2013 and not the one they are using for 2012. Second, OHIC intends to hold the manual it receives in response to this requirement in a confidential manner. However, OHIC also reminds the issuers that OHIC's view of confidentiality remains unchanged. Confidentiality is granted in rare circumstances and in accordance with past OHIC rulings on confidentiality. In general, any issuer requesting confidentiality must provide a factual and legal analysis to support its request.

2. Affordable Care Act Taxes and Fees

Under the Affordable Care Act (Public Laws 111–148 and 111-152) issuers may be subject to new taxes and fees. It is OHIC’s understanding that differing views exist about whether issuers should accrue any such taxes and fees in 2013 or 2014. Given this ambiguity, OHIC is instructing issuers to submit filings that reflect accrual under both scenarios. OHIC intends to research this issue further as part of the review process and will render a decision regarding 2013 rate factors based on its own determination of how any such taxes and fees should be accounted for in relationship to the rate factors under consideration.

3. Expected Overall Average Premium Trend

In our initial guidance letter on the review process, OHIC explained that the culmination of the review process will be a decision to approve an “expected overall average premium trend” for each issuer in the small group market and in the large group market. Furthermore, the letter indicated that the expected overall average premium trend should be understood as a rate cap—meaning that the actual weighted average of all issuer initial offers of renewal premiums for the same product must not exceed the expected overall average premium trend in each market.

Our intention in defining the expected overall average premium trend in this way was to ensure that compliance with it would be determined based on the final rate at current benefits and using the weighted average of all issuer initial offers of renewal premiums for the same product was thought to be the most feasible way to determine this. However, it has come to OHIC’s attention that issuers may have differing business practices regarding the offering of renewal rates. OHIC is clarifying its guidance on this point to ensure that issuers are aware that the **final** rate at current benefits is what is subject to the rate cap established by the expected overall average premium trend—no matter when in the renewal process the final rate at current benefits is established.

4. Healthpact

Regarding the Healthpact product offered by issuers, OHIC also wishes to clarify that issuers have the option of filing this product as a part of this filing or at any other time. However, if an issuer decides to file its Healthpact product—either as a part of this review process or at another time—the filing must include experience for the product for the most recent credible two years. Additionally, OHIC wishes to remind issuers that products developed for the Rhode Island Health Benefits Exchange will likely serve the policy purposes intended by Healthpact. OHIC does not envision benefit changes in Healthpact products for 2013 in order to reach a specific price point, although issuers remain free to file the product in order to modify benefits if they deem it appropriate.

As noted in our initial guidance letter, all materials called for should be submitted to OHIC via the System for Electric Rate Form Filing by May 18, 2012. This deadline remains unchanged. If you have any questions regarding the review process, please feel free to contact me at (401) 462-9643 or patrick.tigue@ohic.ri.gov. When responding to questions, OHIC will brief all issuers

collectively where possible so as to ensure consistent information. Thank you for your continued cooperation with this process.

Sincerely,

A handwritten signature in black ink, reading "Patrick M. Tigue". The signature is fluid and cursive, with the first name "Patrick" written in a stylized, somewhat compressed manner, followed by "M." and "Tigue" in a more legible but still cursive script.

Patrick M. Tigue
Principal Policy Associate

CC: Christopher F. Koller
Health Insurance Commissioner